

**FAITHORN TOWNSHIP**

Financial Report  
with Supplemental Information  
Prepared in Accordance with GASB-34

For the Year Ended  
March 31, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                                      |  |
|---|--------------------------------------|--|
| Local Government Name (Specify)<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                      | County<br><b>Menominee</b>   |
| Audit Date<br><b>March 31, 2005</b>   | Opinion Date<br><b>June 30, 2005</b> | Date Accountant Report Submitted to State:<br><b>July 15, 2005</b> |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

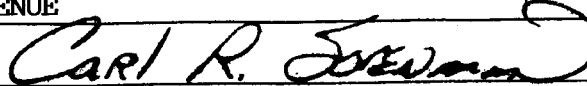
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

### We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 | X            |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|   |                          |                    |                     |
|---|--------------------------|--------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>CARL R. SORENSEN, CPA</b>                                     |                          |                    |                     |
| Street Address<br><b>844 PIERCE AVENUE</b>  | City<br><b>MARINETTE</b> | State<br><b>WI</b> | ZIP<br><b>54143</b> |
| Accountant Signature<br> |                          |                    |                     |

# Faithorn Township

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# Carl R. Sorensen

Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

Town Board  
Faithorn Township  
Menominee County, Michigan

I have audited the accompanying general purpose financial statements of the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information of Faithorn Township, Menominee County, Michigan, for the year ended March 31, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

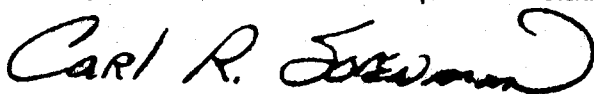
In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, each major fund and the aggregate remaining fund information of Faithorn Township, Menominee County, Michigan, as of March 31, 2005, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

### Required Supplemental Information

The Management's discussion and analysis and budgetary comparison information on pages 2 through 4 and page 17 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

### Other Supplemental Information

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental information is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Faithorn Township and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.



June 30, 2005

## Faithorn Township

### Management's Discussion and Analysis for the Year Ended March 31, 2005

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This section of Faithorn Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB-34) *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB-34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

#### Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Faithorn Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Township wide financial statements by providing information about the Township's most significant funds - the General Fund, Fire Fund and Cemetery Perpetual Care Fund. The remaining statement, the statement of fiduciary net assets presents financial information about activities for which the Township acts solely as an agent for tax collection.

#### Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principle and interest on long term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

#### Government-Wide Financial Statements

The Government-Wide financial statements are full accrual basis statements. They report all of the Township's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long term obligations of the Township are reported in the Statement of Net Assets of the Government-Wide financial statements.

#### The Township as Trustee - Reporting the Township's Fiduciary Responsibilities

The Township is the trustee or fiduciary for its tax collection fund. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Faithorn Township

### Management's Discussion and Analysis for the Year Ended March 31, 2005

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#### Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2005.

|  | Governmental<br>Activities |
|--|----------------------------|
| Assets   |                            |
| Current assets   | \$ 61,256                  |
| Capital assets - net of accumulated depreciation           | <u>55,586</u>              |
| Total Assets   | <u>\$ 116,842</u>          |
| Liabilities  |                            |
| Current liabilities  | \$ -                       |
| Long term liabilities                                      | <u>37,922</u>              |
| Total Liabilities  | <u>37,922</u>              |
| Net Assets   |                            |
| Net Assets Invested in capital assets, net of related debt | 17,664                     |
| Unrestricted   | <u>61,256</u>              |
| Total Net Assets   | <u>78,920</u>              |
| Total Liabilities and Net Assets                           | <u>\$ 116,842</u>          |

#### Analysis of Financial Position

The assets of the Faithorn Township exceeded its liabilities as of March 31, 2005 by \$78,920 (*net assets*). Of this amount, \$61,256 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors. The total Township's net assets include infrastructure of the Townships funds installed for April 1, 2004 to the present.

The Faithorn Township's total net assets increased by a net amount of \$9,326.

As of March 31, 2005, the Township's Governmental Funds reported combined ending fund balances of \$ 61,256, a decrease of \$5,510 in comparison with the prior year. Approximately 99% or \$61,240 is available for spending at the Township's discretion (*unrestricted fund balance*).

The Township received an \$11,016 grant from the Department of Treasury at March 31, 2005. This was used to equip the Fire Department with turnout gear.

## Faithorn Township

### Management's Discussion and Analysis for the Year Ended March 31, 2005

#### Results of Operations

For the fiscal year ended March 31, 2005, the Township results of operations is as follows:

|  | <u>March 31, 2005</u> |
|--|-----------------------|
| <b>Revenue</b>                               |                       |
| Property taxes levied for general operations | \$ 21,083             |
| Property taxes levied for fire services      | 7,741                 |
| State of Michigan aid                        | 18,681                |
| Other general revenues                       | <u>18,504</u>         |
| Total Revenue                                | <u>66,009</u>         |
| <b>Expenses</b>                              |                       |
| General Government                           | 42,693                |
| Public safety                                | 10,478                |
| Public works                                 | 2,492                 |
| Recreation and culture                       | <u>1,020</u>          |
| Total Expenses                               | <u>56,683</u>         |
| Increase in Net Assets                       | 9,326                 |
| Beginning Net Assets                         | <u>69,594</u>         |
| Ending Net Assets                            | <u>\$ 78,920</u>      |

#### Original vs. Final Budget

An original General Fund was prepared and amended on February 14, 2005. The amended changes were made to line items in the General Fund Government Expenses. A budget for the Fire Fund and Cemetery Perpetual Care were not prepared.

Actual results were better than expected as taxes and state grants exceeded budgeted amounts.

#### Capital Assets and Debt Administration

The Township's investment in capital assets increased \$14,336. This can be summarized as follows:

|                         | Balance<br><u>April 1, 2004</u> | Additions        | Disposals   | Balance<br><u>March 31, 2005</u> |
|-------------------------|---------------------------------|------------------|-------------|----------------------------------|
| Land                    | \$ 20,000                       | \$ -             | \$ -        | \$ 20,000                        |
| Buildings               | 152,000                         | 6,184            | -           | 158,184                          |
| Equipment               | <u>62,500</u>                   | <u>12,228</u>    | -           | <u>74,728</u>                    |
|                         | 234,500                         | 18,412           | -           | 252,912                          |
| Less: Accumulated Depr. | <u>( 193,250)</u>               | <u>( 4,076)</u>  | -           | <u>( 197,326)</u>                |
| Net Assets              | <u>\$ 41,250</u>                | <u>\$ 14,336</u> | <u>\$ -</u> | <u>\$ 55,586</u>                 |

The building additions were improvements to the Town Hall and equipment was for Fire Department purchases.

The Township Debt Activity is summarized as follows:

|                 | Balance<br><u>April 1, 2004</u> | Additions   | Deductions    | Balance<br><u>March 31, 2005</u> |
|-----------------|---------------------------------|-------------|---------------|----------------------------------|
| Road commission | <u>\$ 38,422</u>                | <u>\$ -</u> | <u>\$ 500</u> | <u>\$ 37,922</u>                 |

#### Contacting the Township's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Town Hall.

## Faithorn Township

### Statement of Net Assets for the Year Ended March 31, 2005

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|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| Current Assets   |                            |
| Cash and cash equivalents                                  | \$ 41,008                  |
| Due from other Governmental units                          | 2,238                      |
| Due from fiduciary funds                                   | <u>18,010</u>              |
| Total Current Assets                                       | <u>61,256</u>              |
| Non-Current Assets   |                            |
| Capital assets   | 252,912                    |
| Less accumulated depreciation                              | <u>197,326</u>             |
| Total Non-Current Assets                                   | <u>55,586</u>              |
| <b>Total Assets</b>  | <b><u>\$ 116,842</u></b>   |
| <b>LIABILITIES</b>   |                            |
| Current Liabilities  |                            |
| Accounts payable   | \$ -                       |
| Non-current liabilities                                    | <u>37,922</u>              |
| Total Current Liabilities                                  | <u>37,922</u>              |
| Net Assets   |                            |
| Net assets invested in capital assets, net of related debt | 17,664                     |
| Unrestricted   | <u>61,256</u>              |
| Total Net Assets   | <u>78,920</u>              |
| <b>Total Liabilities and Net Assets</b>                    | <b><u>\$ 116,842</u></b>   |



# Faithorn Township

Statement Activities  
for the Year Ended March 31, 2005

|                                      |                         | <u>Program Revenue</u>             |                             | <u>Governmental<br/>Activities</u>                                |
|--------------------------------------|-------------------------|------------------------------------|-----------------------------|---|
|                                      | <u>Expense</u>          | <u>Charges<br/>for<br/>Service</u> | <u>Operating<br/>Grants</u> | <u>Net (expense)<br/>Revenue and<br/>Change in<br/>Net Assets</u> |
| <b>FUNCTIONS/PROGRAMS</b>            |                         |                                    |                             |   |
| <b>Governmental Activities:</b>      |                         |                                    |                             |   |
| General Government                   | \$ 42,693               | \$ 1,171                           | \$ 18,681                   | \$( 22,841)   |
| Public safety                        | 10,478                  | —                                  | 11,446                      | 968   |
| Public works                         | 2,492                   | —                                  | —                           | ( 2,492)  |
| Recreation and culture               | 1,020                   | —                                  | —                           | ( 1,020)  |
| <b>Total Governmental Activities</b> | <b>\$ <u>56,683</u></b> | <b>\$ <u>1,171</u></b>             | <b>\$ <u>30,127</u></b>     | <b>( 25,385)</b>  |

## GENERAL REVENUES

### Taxes

|   |                      |
|---|----------------------|
| Property taxes, levied for general operations | 21,083               |
| Property taxes, levied for fire service       | 7,741                |
| Interest and investment earnings              | 642                  |
| Miscellaneous                                 | <u>5,245</u>         |
| <b>Total General Revenue</b>                  | <b><u>34,711</u></b> |

### Changes in Net Assets

#### Net Assets:

|                   |                         |
|-------------------|-------------------------|
| Beginning of Year | <u>69,594</u>           |
| End of Year       | <b>\$ <u>78,920</u></b> |

**Faithorn Township**  
**Balance Sheet**  
**Governmental Funds**  
**for the Year Ended March 31, 2005**

|  | <u>General</u>   | <u>Fire</u>     | <u>Cemetery<br/>Perpetual<br/>Care</u> | <u>Other<br/>Governmental<br/>Units</u> | <u>Total</u>     |
|--|------------------|-----------------|--|---|------------------|
| <b>ASSETS</b>                                  |                  |                 |  |   |                  |
| Cash and cash equivalents                      | \$ 13,367        | \$ 248          | \$ 27,141                              | \$ 252                                  | \$ 41,008        |
| Due from other Governmental units              | 1,326            | 912             | —                                      | —                                       | 2,238            |
| Due from other funds                           | 11,181           | 6,829           | —                                      | —                                       | 18,010           |
| <b>Total Assets</b>                            | <u>\$ 25,874</u> | <u>\$ 7,989</u> | <u>\$ 27,141</u>                       | <u>\$ 252</u>                           | <u>\$ 61,256</u> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                  |                 |  |   |                  |
| <b>LIABILITIES</b>                             |                  |                 |  |   |                  |
| Accounts payable                               | \$ —             | \$ —            | \$ —                                   | \$ —                                    | \$ —             |
| <b>Total Liabilities</b>                       | <u>—</u>         | <u>—</u>        | <u>—</u>                               | <u>—</u>                                | <u>—</u>         |
| <b>FUND BALANCES</b>                           |                  |                 |  |   |                  |
| Designated park                                | 16               | —               | —                                      | —                                       | 16               |
| Undesignated                                   | 25,858           | 7,989           | 27,141                                 | 252                                     | 61,240           |
| <b>Total Fund Balance</b>                      | <u>25,874</u>    | <u>7,989</u>    | <u>27,141</u>                          | <u>252</u>                              | <u>61,256</u>    |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <u>\$ 25,874</u> | <u>\$ 7,989</u> | <u>\$ 27,141</u>                       | <u>\$ 252</u>                           | <u>\$ 61,256</u> |

**Faithorn Township**  
Governmental Funds  
Reconciliation of Balance Sheet of Governmental Funds to Net Assets  
March 31, 2005

---

Total Fund Balances - Governmental Funds \$ 61,256

*Amounts reported for Governmental activities  
in the statement of net assets are different because:*

Capital assets used in Governmental activities  
are not financial resources and are not reported  
in the funds.

The cost of the capital assets is 252,912  
Accumulated depreciation is ( 197,326)

Long-term liabilities are not due and payable  
in the current period and are not reported in  
the funds.

Road commission ( 37,922)

Net Assets of Governmental Activities \$ 78,920

**Faithorn Township**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Governmental Fund**  
**for the Year Ended March 31, 2005**

|   | <u>General</u>   | <u>Fire</u>     | <u>Cemetery<br/>Perpetual<br/>Care</u> | <u>Other<br/>Governmental<br/>Units</u> | <u>Total</u>     |
|---|------------------|-----------------|--|---|------------------|
| <b>REVENUE</b>                                  |                  |                 |  |   |                  |
| Taxes   | \$ 21,083        | \$ 7,741        | \$ -                                   | \$ -                                    | \$ 28,824        |
| Grants  | 18,282           | 11,446          | -                                      | 399                                     | 30,127           |
| Interest and rents                              | 75               | -               | 567                                    | -                                       | 642              |
| Local unit contributors                         | 1,171            | -               | -                                      | -                                       | 1,171            |
| Other revenue                                   | <u>1,617</u>     | <u>-</u>        | <u>871</u>                             | <u>2,757</u>                            | <u>5,245</u>     |
| <b>Total Revenues</b>                           | <u>42,228</u>    | <u>19,187</u>   | <u>1,438</u>                           | <u>3,156</u>                            | <u>66,009</u>    |
| <b>EXPENDITURES</b>                             |                  |                 |  |   |                  |
| General Government                              | 37,068           | -               | 558                                    | 3,214                                   | 40,840           |
| Public safety                                   | -                | 8,255           | -                                      | -                                       | 8,255            |
| Public works                                    | 2,492            | -               | -                                      | -                                       | 2,492            |
| Recreation and culture                          | 1,020            | -               | -                                      | -                                       | 1,020            |
| Capital outlay                                  | 6,184            | 12,228          | -                                      | -                                       | 18,412           |
| Debt service                                    | <u>500</u>       | <u>-</u>        | <u>-</u>                               | <u>-</u>                                | <u>500</u>       |
| <b>Total Expenditures</b>                       | <u>47,264</u>    | <u>20,483</u>   | <u>558</u>                             | <u>3,214</u>                            | <u>71,519</u>    |
| Excess of Revenues Over<br>(Under) Expenditures | ( 5,036)         | ( 1,296)        | 880                                    | ( 58)                                   | ( 5,510)         |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                  |                 |  |   |                  |
| Operating transfers in                          | -                | -               | -                                      | -                                       | -                |
| Operating transfers out                         | <u>-</u>         | <u>-</u>        | <u>-</u>                               | <u>-</u>                                | <u>-</u>         |
| <b>Total Other Finance Uses</b>                 | <u>-</u>         | <u>-</u>        | <u>-</u>                               | <u>-</u>                                | <u>-</u>         |
| Net Changes in Fund Balance                     | ( 5,036)         | ( 1,296)        | 880                                    | ( 58)                                   | ( 5,510)         |
| Fund Balances April 1                           | <u>30,910</u>    | <u>9,285</u>    | <u>26,261</u>                          | <u>310</u>                              | <u>66,766</u>    |
| Fund Balances March 31                          | <u>\$ 25,874</u> | <u>\$ 7,989</u> | <u>\$ 27,141</u>                       | <u>\$ 252</u>                           | <u>\$ 61,256</u> |

**Faithorn Township**  
Reconciliation of the Statement of Revenue, Expenditures  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
for the Year Ended March 31, 2005

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Net change in fund balances - total Governmental funds \$( 5,510)

*Amounts reported for Governmental activities  
in the statement of net assets are different because:*

Governmental funds report capital outlay as  
expenditures; in the statement of activities.  
These costs are allocated over their estimated  
useful lives as depreciation.

|                      |          |
|----------------------|----------|
| Depreciation expense | ( 4,076) |
| Capital outlay       | 18,412   |

Repayment of bonds and debt is an expenditure  
in the Governmental funds, but not in the  
statement of activities (where it reduces long-  
term debt)

500

|   |                 |
|---|-----------------|
| Change in net assets of Governmental Activities | <u>\$ 9,326</u> |
|---|-----------------|

**Faithorn Township**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**for the Year Ended March 31, 2005**

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|                           |                                  |
|---------------------------|----------------------------------|
|                           | Agency Fund<br>Tax<br>Collection |
| <b>ASSETS</b>             |                                  |
| Cash and cash equivalents | <u>18,010</u>                    |
| <b>Total Assets</b>       | <u><b>\$ 18,010</b></u>          |
| <br><b>LIABILITIES</b>    |                                  |
| Due to other funds        | <u>18,010</u>                    |
| <b>Total Liabilities</b>  | <u><b>\$ 18,010</b></u>          |

**Faithorn Township**  
Notes to Financial Statements  
March 31, 2005

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Faithorn Township is incorporated under the laws of the State of Michigan. The Township operates under an elected board. The Township provides the services of Fire Protection and General Administrative Services. The accounting policies of Faithorn Township conform to generally accepted accounting principles as applicable to governmental units.

**A. Government-Wide and Fund Financial Statements**

The Government-Wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary Government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All the Town's Government-wide activities are considered Governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental funds and fiduciary funds even though the latter are excluded from the Government-wide financial statements. Major individual Governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

**General Fund**

This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the local unit. Revenues are derived primarily from Property Taxes, State Grants and Other Intergovernmental Revenues.

**Special Revenue Funds**

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

**FIDUCIARY FUND**

**Trust and Agency Funds**

The fiduciary fund is used to account for assets held as an agent for others.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
**Government-Wide Statements**

The Town's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

**Faithorn Township**  
Notes to Financial Statements  
March 31, 2005

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
**Government-Wide Statements (continued)**

Accounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and State aid.

**Fund Based Statements**

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Property taxes, State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

**C. Cash and Investments**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Township. State statutes authorize the governing body of a Township to invest surplus funds in direct obligations of the United States Treasury, in deposit and savings accounts of any Federally insured bank, savings and loan or credit union, commercial paper, United States repurchase agreements, bankers' acceptance of U.S. banks, in certain mutual funds and in investment pools.

Investments are reported at fair value which is determined using select basis. Short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

**D. Inventories**

Inventories of supplies are considered to be immaterial and are not recorded.

**E. Fund Balance Designations**

The Township classifies its Fund Balances as follows:

- 1.) Designations of fund balance represent tentative plans by the Township for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year.
- 2.) Undesignated fund balance indicates that portion of fund balance which is available for use in future periods.



**Faithorn Township**  
Notes to Financial Statements  
March 31, 2005

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Budget Basis of Accounting**

Budgets are annually adopted on the modified accrual basis of accounting. The original budgets were amended February 14, 2005 and is presented in the accompanying financial statements.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1.) Prior to March 1, the Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2.) Public hearings are conducted to obtain taxpayers comments.
- 3.) Prior to April 1, the budget is legally enacted.
- 4.) The Township Board may authorize transfer budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund.
- 5.) Formal budgetary integration is employed as management control device during the year for the General Fund.

**G. Capital Assets**

Capital assets which include land, buildings, equipment and vehicles are reported in the applicable Governmental column in the Government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

|                              |               |
|------------------------------|---------------|
| Buildings and additions      | 20 - 60 years |
| Vehicles and other equipment | 05 - 10 years |

Prior to April 2003, Governmental Funds Capital Assets were accounted for in the General Fixed Assets account group and were not recorded directly as a part of any individual funds financial statements. Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB 34 Governmental units are required to account for all capital assets including infrastructure in the Government-wide statements prospectively from the date of implementation. For the year ended February 14, 2005, the Town had no infrastructure additions in its Governmental fund types.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

**Faithorn Township**  
Notes to Financial Statements  
March 31, 2005

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**NOTE 2 CASH AND INVESTMENTS**

Cash

The Township maintains various cash accounts that are available for use by all funds. Each fund's portion of these accounts are displayed on the combined balance sheet as "cash." The carrying amount of the Townships cash totaled \$59,020.

Deposits in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for demand deposits and \$100,000 for time deposits. At year end, the bank balance of the Township's deposits total \$56,435. This amount was covered by FDIC Insurance.

Investments

The Township had no investments at March 31, 2005.

**NOTE 3 PROPERTY TAXES**

The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on assessed valuation of property as of the preceding December 31 of \$7,597,670 and mileage of 2.3486. Assessed valuation, which is required by law to be 50% of current market value, is established by the Township and is subject to possible equalization by the State. In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping governments in the Township, which includes school districts and the County.

**NOTE 4 CAPITAL ASSETS**

The changes in capital assets are as follows:

|                                   | Balance<br>April 1, 2004 | Additions        | Disposals   | Balance<br>March 31, 2005 |
|-----------------------------------|--------------------------|------------------|-------------|---------------------------|
| Land                              | \$ 20,000                | \$ -             | \$ -        | \$ 20,000                 |
| Buildings                         | 152,000                  | 6,184            | -           | 158,184                   |
| Equipment                         | <u>62,500</u>            | <u>12,228</u>    | -           | <u>74,728</u>             |
|                                   | 234,500                  | 18,412           | -           | 252,912                   |
| Less: Accumulated<br>Depreciation | <u>(193,250)</u>         | <u>( 4,076)</u>  | -           | <u>(197,326)</u>          |
| Net Assets                        | <u>\$ 41,250</u>         | <u>\$ 14,336</u> | <u>\$ -</u> | <u>\$ 55,586</u>          |

Depreciation expenses were charged to funds as follows:

|         |                 |
|---------|-----------------|
| General | \$ 1,853        |
| Fire    | <u>2,223</u>    |
|         | <u>\$ 4,076</u> |

**Faithorn Township**  
Notes to Financial Statements  
March 31, 2005

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**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES**

The amounts of Interfund receivables and payables are as follows:

| <u>Fund</u>     | <u>Interfund<br/>Receivable</u>               | <u>Fund</u>    | <u>Interfund<br/>Payable</u> |
|-----------------|---|----------------|------------------------------|
| General<br>Fire | \$ 11,181<br><u>6,829</u><br>\$ <u>18,010</u> | Tax Collection | \$ <u>18,010</u>             |

**NOTE 6 LONG-TERM OBLIGATIONS**

A summary of Long-Term debt on road improvements is as follows:

Menominee County - *no interest rate*

| <u>Balance<br/>4/01/04</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>3/31/05</u> |
|----------------------------|------------------|-------------------|----------------------------|
| \$ <u>38,422</u>           | \$ <u>—</u>      | \$ <u>500</u>     | \$ <u>37,922</u>           |

**NOTE 7 RISK MANAGEMENT**

The Townships Risk Management activities are recorded in the General Fund. Significant losses are covered by commercial insurance. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years.

**NOTE 8 TOTAL - MEMORANDUM ONLY**

The combined financial statements of fund types present total columns for the year ended March 31, 2005, which aggregate the columnar statements by fund type. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**Faithorn Township**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended March 31, 2005**

| REVENUES:  | Original<br>Budget | Final<br>Budget   | Actual            |
|--|--------------------|-------------------|-------------------|
| Taxes  | \$ 19,102          | \$ 19,102         | \$ 21,083         |
| Grants   | 14,000             | 14,000            | 18,282            |
| Interest and rents   | -                  | -                 | 75                |
| Local unit contributions   | -                  | -                 | 1,171             |
| Other revenue  | -                  | -                 | 1,617             |
|  | <u>          </u>  | <u>          </u> | <u>          </u> |
| Total Revenues   | 33,102             | 33,102            | 42,228            |
| <br>EXPENDITURES:  |                    |                   |                   |
| General government   | 38,776             | 39,646            | 37,068            |
| Public safety  | 5,150              | 3,280             | 2,492             |
| Recreation and culture   | -                  | -                 | 1,020             |
| Capital outlay   | 6,045              | 7,045             | 6,184             |
| Debt service   | -                  | -                 | 500               |
|  | <u>          </u>  | <u>          </u> | <u>          </u> |
| Total Expenditures   | 49,971             | 49,971            | 47,264            |
| <br>Excess of Revenues Over (Under) Expenditures   | ( 16,869)          | ( 16,869)         | ( 5,036)          |
| <br>OTHER FINANCING SOURCES (USES):  |                    |                   |                   |
| Operating transfers in   | -                  | -                 | -                 |
| Operating transfers out  | -                  | -                 | -                 |
| Total other financing sources (uses)   | <u>          </u>  | <u>          </u> | <u>          </u> |
| <br>Excess of Revenues and Other Financing Sources Over<br>(Under) Expenditures and Other Financing Uses | ( 16,869)          | ( 16,869)         | ( 5,036)          |
| <br>FUND BALANCES, April 1   | 30,910             | 30,910            | 30,910            |
| FUND BALANCES, March 31  | \$ <u>14,041</u>   | \$ <u>14,041</u>  | \$ <u>25,874</u>  |

**OTHER SUPPLEMENTAL INFORMATION**

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**Faithorn Township**  
Combining Balance Sheet  
Non-Major Governmental Funds  
March 31, 2005

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|  | <u>Non-Major Special Revenue Funds</u> |                                 |               |
|--|--|---------------------------------|---------------|
|  | <u>Liquor</u>                          | <u>Cemetery<br/>Maintenance</u> | <u>Total</u>  |
| <b>ASSETS</b>                              |  |                                 |               |
| Cash                                       | \$ 66                                  | \$ 186                          | \$ 252        |
| Due from other Governmental units          | -                                      | -                               | -             |
| Due from other funds                       | -                                      | -                               | -             |
| <b>Total Assets</b>                        | <u>\$ 66</u>                           | <u>\$ 186</u>                   | <u>\$ 252</u> |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |  |                                 |               |
| Liabilities                                | \$ -                                   | \$ -                            | \$ -          |
| Fund Balances:                             |  |                                 |               |
| Unreserved:                                |  |                                 |               |
| Undesignated                               | <u>66</u>                              | <u>186</u>                      | <u>252</u>    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 66</u>                           | <u>\$ 186</u>                   | <u>\$ 252</u> |

**Faithorn Township**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
March 31, 2005

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|   | <u>Non-Major Special Revenue Funds</u> |                                 |                 |
|---|--|---------------------------------|-----------------|
|   | <u>Liquor</u>                          | <u>Cemetery<br/>Maintenance</u> | <u>Total</u>    |
| <b>REVENUES</b>                                   |  |                                 |                 |
| State revenue                                     | \$ 399                                 | \$ —                            | \$ 399          |
| Burials   | —                                      | 2,200                           | 2,200           |
| Other   | —                                      | 557                             | 557             |
| <b>Total Revenues</b>                             | <u>\$ 399</u>                          | <u>\$ 2,757</u>                 | <u>\$ 3,156</u> |
| <b>EXPENDITURES</b>                               |  |                                 |                 |
| Wages   | \$ 194                                 | \$ 486                          | \$ 680          |
| Burials   | —                                      | 1,600                           | 1,600           |
| Utilities   | —                                      | 176                             | 176             |
| Repairs and maintenance                           | —                                      | 557                             | 557             |
| Other   | 193                                    | 8                               | 201             |
| <b>Total Expenditures</b>                         | <u>387</u>                             | <u>2,827</u>                    | <u>3,214</u>    |
| Excess (Deficiency) of Revenues Over Expenditures | 12                                     | ( 70)                           | ( 58)           |
| Fund Balances April 1                             | <u>54</u>                              | <u>256</u>                      | <u>310</u>      |
| Fund Balances March 31                            | <u>\$ 66</u>                           | <u>\$ 186</u>                   | <u>\$ 252</u>   |



## Faithorn Township

### Detail Schedule of General Fund Revenues for the Year Ended March 31, 2005

|                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    |
|---------------------------------|----------------------------|-------------------------|------------------|
| <b>Taxes</b>                    |                            |                         |                  |
| Current                         | \$ 11,120                  | \$ 11,120               | \$ 10,863        |
| Delinquent                      | -                          | -                       | 1,326            |
| Swamp and CFR                   | <u>7,982</u>               | <u>7,982</u>            | <u>8,894</u>     |
|                                 | 19,102                     | 19,102                  | 21,083           |
| <b>Grants</b>                   |                            |                         |                  |
| Revenue sharing                 | 14,000                     | 14,000                  | 14,335           |
| Labor and economic growth       | <u>-</u>                   | <u>-</u>                | <u>3,947</u>     |
|                                 | 14,000                     | 14,000                  | 18,282           |
| <b>Interest and Rents</b>       |                            |                         |                  |
| Interest                        | -                          | -                       | 75               |
| <b>Local Unit Contributions</b> |                            |                         |                  |
| Contributions                   | -                          | -                       | 400              |
| Camping fees                    | <u>-</u>                   | <u>-</u>                | <u>771</u>       |
|                                 |                            |                         | 1,171            |
| <b>Other Revenue</b>            |                            |                         |                  |
| Miscellaneous                   | <u>-</u>                   | <u>-</u>                | <u>1,617</u>     |
|                                 | <u>\$ 33,102</u>           | <u>\$ 33,102</u>        | <u>\$ 42,228</u> |

## Faithorn Township

### Detail Schedule of General Fund Expenditures for the Year Ended March 31, 2005

|                                     | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    |
|-------------------------------------|----------------------------|-------------------------|------------------|
| <b>General Government</b>           |                            |                         |                  |
| Wages                               | \$ 8,376                   | \$ 8,376                | \$ 8,376         |
| Meetings and mileage                | 5,700                      | 5,700                   | 5,454            |
| Payroll tax                         | 1,000                      | 1,150                   | 1,066            |
| Board of review                     | 1,200                      | 1,200                   | 745              |
| Utilities                           | 2,300                      | 2,360                   | 2,105            |
| Computer                            | 500                        | 500                     | 420              |
| Office supplies                     | 2,000                      | 2,000                   | 1,979            |
| Tax roll expense                    | 800                        | 800                     | 577              |
| Insurance                           | 3,000                      | 3,810                   | 3,803            |
| Assessor fees                       | 6,000                      | 5,600                   | 5,590            |
| Election                            | 2,000                      | 2,250                   | 2,244            |
| Maintenance                         | 3,400                      | 3,400                   | 3,519            |
| Other                               | <u>2,500</u>               | <u>2,500</u>            | <u>1,190</u>     |
|                                     | 38,776                     | 39,646                  | 37,068           |
| <b>Public Works</b>                 |                            |                         |                  |
| Roads and bridges                   | 3,500                      | 1,630                   | 924              |
| Street lights                       | <u>1,650</u>               | <u>1,650</u>            | <u>1,568</u>     |
|                                     | 5,150                      | 3,280                   | 2,492            |
| <b>Recreation and Culture</b>       |                            |                         |                  |
| Parks                               | -                          | -                       | 1,020            |
| <b>Capital Outlay</b>               |                            |                         |                  |
| Hall improvements                   | 6,045                      | 7,045                   | 6,184            |
| <b>Debt Service</b>                 |                            |                         |                  |
| Menominee County<br>Road Commission | <u>-</u>                   | <u>-</u>                | <u>500</u>       |
|                                     | <u>\$ 49,971</u>           | <u>\$ 49,971</u>        | <u>\$ 47,264</u> |